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Nebraska Personal Property Tax

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Personal property tax has been a topic of controversy and can sometimes be confusing, especially when it is different for everyone. Thankfully, it is defined a little better for farmers and ranchers. The State of Nebraska made some adjustments after the federal tax law change in regards to personal property tax. Before talking about the changes, knowing what personal property tax is and how it is different for farmers and non-farmers should create a good base of understanding.

According to the Nebraska Administrative Code presented by the Nebraska Department of Revenue, personal property is “all property other than real property or franchises.” In other words, anything other than land, a personal residence, buildings or improvements, or livestock, is subject to personal property tax. Most of these are subject to real estate tax. Personal property is determined based on the federal life class of the asset and the federal tax basis. The federal tax basis has been the purchase price minus any trade-in value plus the remaining value, of the traded asset, if any. This net book value is then multiplied by a percentage based on life class.

Year	DEPRECIATION FACTORS					
	Recovery Period (in Years)					
	3	5	7	10	15	20
1	75.00	85.00	89.29	92.50	95.00	96.25
2	37.50	59.50	70.16	78.62	85.50	89.03
3	12.50	41.65	55.13	66.83	76.95	82.35
4	0.00	24.99	42.88	56.81	69.25	76.18
5		8.33	30.63	48.07	62.32	70.46
6		0.00	18.38	39.33	56.09	65.18
7			6.13	30.59	50.19	60.29
8			0.00	21.85	44.29	55.77
9				13.11	38.38	51.31
10				4.37	32.48	46.85
11				0.00	26.57	42.38
12					20.67	37.92
13					14.76	33.46
14					8.86	29.00
15					2.95	24.54
16					0.00	20.08
17						15.62
18						11.15
19						6.69
20						2.23
21						0.00

Nebraska Department of Revenue goes on to say, “depreciable tangible personal property used in a trade or business or used for the production of income, and which has a determinable life of longer than one year,” according to the Nebraska Department of Revenue. Anything that is used in an operation, whether it be in agriculture or other, is subject to personal property tax, as long as it has a life class of longer than one year and can be moved. The property must also be placed in service in that year. This means that the tractor that you buy in 2018 must be ready for use in 2018 for personal property tax to be assessed on it in 2019. For farmers, this includes property such as machinery or equipment, wells, grain bins, or other items used in the production of income. This also includes property that is leased. The property must either be reported by the lessor or lessee. The county in which the item is either stored or spends more than 50 percent of its time in is the county in which the personal property should be reported and paid to. For example, your home place is in Lancaster county with a machinery building housing your combine and tractor, and in Seward county you also have a small shop to house additional machinery and equipment. In this instance, you would file two personal property schedules, one for the equipment in Lancaster county and another for the equipment in Seward county. The total amount of tax paid is the same, it is just split between two counties instead of one.

In 2018, the Federal law changed for any trade-ins of personal property. If personal property is traded, you must recognize the trade-in value of the old property and the full purchase price of the new property. In Nebraska, you can reduce the value of personal property if it is a true trade, by electing to use section 179 depreciation. This will allow you to take the net value or boot paid, returning it to the rules prior to the new tax law changes. The amount of Section 179 can be taken anywhere from one dollar to the total value of the asset. This new personal property tax law change is only temporary. After 2020, the credit will be taken away for the trade in if the law is not extended.

In Nebraska, there are certain items that are exempt from personal property. These items include:

- Livestock
- Motor vehicles, trailers, and semitrailers that are licensed with the county and are run on Nebraska highways

- Household items that are used for personal use and not in the fundamental operation, unless owned by a corporation
- Any business inventories

These items may be reported on a depreciation schedule but are exempt at the state level in regards to personal property tax.

A big misconception is that paying sales tax means that one would not have to pay personal property. In reality, the two taxes are unrelated. Nonfarm tax payers are required to pay personal property tax and sales tax on all items they buy. Farmers, on the other hand, are exempt from paying sales tax on certain machinery and equipment that is used “directly in cultivating or harvesting a crop, raising or caring for animal life, or collecting or processing an agricultural product on the farm or ranch,” according to the Nebraska Department of Revenue. This provides a large tax relief for farmers. However, these items are still subject to personal property tax. There are some items such as an ATV or UTV, where farmers will have to pay both taxes.

There are penalties subject to late returns being filed or failure to file. The deadline to file personal property tax is May 1st each year. The penalty for any returns received after May 1st and before June 30th are subject to a 10 percent penalty of the total personal property tax due in that county. If a return is filed after July 1st, the filer will be subject to a 25 percent penalty of the personal property tax due. Failure to file will result in the county filing the return on the behalf of the taxpayer. In this case, the county assessor will list and value all of the taxpayer’s personal property and apply penalties based on failure to file and late filings.

Personal property tax can be complicated based on the type of property that is owned or leased. Having items such as the purchase agreement, what county or precinct the property is held in, and knowing when the item was placed in service, can help when preparing the return.